

Dear Janet:

Thanks for the opportunity to provide input to the process last Friday. I don't envy you the task of bridging the gulf which seems to be forming between various affected parties and between all of the affected parties and the environmental agendas being promoted by some organizations. Good luck!

Alcoa Inc. has a number of issues and one very big concern coming out of the meeting. The first relates to the base year being 1995 for NEGUs. As I stated, we had a unit down for a major outage in 1995 and therefore had a dramatically reduced heat input. As a part of the NOx SIP Call Budget revision process, EPA asked for and was supplied heat input data for 1995, 1996 and 1997 for the NEGUs. As this data is available and has been QA'ed, Alcoa requests that the base year heat input be the average of the highest two heat inputs from 1995, 1996 and 1997.

Alcoa's second issue deals with the presumption that 0.17 lb NOx/mm BTU equates to the 60% reduction that the SIP Call requires NEGUs to make. In data supplied by Alcoa, our emission rate is 0.7 lb NOx/mm BTU and a sixty percent reduction equates to 0.28. Alcoa requests that, for Alcoa's NEGU units, the base year heat input be multiplied by EPA's growth factor and that be multiplied by 0.28, which is a sixty percent reduction in emissions from our base year. Any New Source or Energy Efficiency & Renewable Set-asides would be deducted from this value.

Third, the NEGU new source set-aside should be no more than 1%. As your permitting data shows that less than 1% of the NEGU budget would have been consumed over a four to five year period (let alone over a one year period), it seems overkill in the extreme to make the set-aside any larger. Someone noted that new source set-asides would be rolled back to the sources at the end of the season if they weren't used and therefore existing sources would get them back eventually anyway. If a source can't absolutely count on the allowances being there at the end of the ozone season, it would be foolish to do any planning around those credits, making them virtually useless to us.

On the Compliance Supplement Pool, Alcoa believes that a portion of the CSP should be reserved for NEGU sources only. By EPA making the "demonstration of need" process virtually impossible to use and with the EGU sources, and their associated emissions and therefore emission reduction opportunities, far exceeding the NEGUs, Alcoa has a great concern that all of the CSP allowances will be handed out to the large EGUs in the state. Using IDEM's estimate of baseline NOx emissions, Large Industrial Boilers are ~10% of the baseline emissions. Therefore Alcoa believe that ~10% of the CSP (or 1992 allowances) should be made available for NEGU sources only.

As to the Energy Efficiency and Renewable Set-aside, Alcoa believe that none of the NEGU budget should be set-aside for this. With EPA's latest NSR enforcement actions, virtually all incentive for making changes to a boiler to increase efficiency have been removed. As to renewables, these are typically very sporadic sources of electricity generation which, being sporadic, can't be counted upon to supply the "on-demand" requirements of an industry's needs. These sporadic electricity generating sources can easily supply electricity to the grid and therefore any allowances for these "renewable" sources must be deducted from the EGU budget only.

The following language comes from 40 CFR 74 (SO2 Opt-In) and relates to issues Alcoa sued EPA over relating to the requirement to have the same designated representative for our Opt-In boilers as for Unit 4 which was a Phase I affected unit under the Acid Rain Program. Paragraph (c) was added as a result of a negotiated settlement of our suit. Alcoa requests similar language be added to the 326 IAC 10-4-6(a) making it possible for Alcoa and SIGECO to have separate account reps for Warrick Power Plant.

Sec. 74.4 Designated representative. (a) The provisions of subpart B of part 72 of this chapter shall apply to the designated representative of an opt-in source. (b) If a combustion or process source is located at the same source as one or more affected units, the combustion or process source shall have the same designated representative as the other affected units at the source. (c)(1) Notwithstanding paragraph (b) of this section, a certifying official of a combustion or process source that is located at the same source as one or more affected utility units and that, on the date on which an initial opt-in permit application is submitted for such combustion or process source and thereafter, does not serve a generator that produces electricity for sale may elect to designate, for such combustion or process source, a different designated representative than the designated representative for the affected utility units. (2) In order to make such an election, the certifying official shall submit to the Administrator, in a format prescribed by the Administrator: a certification that the combustion or process source for which the election is made meets each of the requirements for election in paragraph (c)(1) of this section; and a certificate of representation for the designated representative of the combustion or process source in accordance with Sec. 72.24 of this chapter. The Administrator will rely on such certificate of representation in accordance with Sec. 72.25 of this chapter, unless the Administrator determines that the requirements for election in paragraph (c)(1) of this section are not met. If, after the election is made, the requirements for election in paragraph (c)(1) of this section are no longer met, the election shall automatically terminate on the first date on which the requirements are no longer met and, within 30 days of that date, a certificate of representation for the designated representative of the combustion or process source shall be submitted consistent with paragraph (b) of this section.

Alcoa's greatest concern coming out of the Oct. 19th meeting was that it appeared IDEM was heading toward subsidizing the utilities and environmental organizations' agendas off the backs of the NEGU source category, the major industrial base of the state. **Any "reallocation" of NEGU budget allowances which would result in Alcoa being required to reduce our emissions further than the federal model rule, which we believe is flawed and is already requiring Alcoa to over-control from the 60% baseline reduction goal, will be met with the strongest of responses.**

Alcoa appreciates IDEM's willingness to listen to affected party comments and looks forward to continuing to work toward a final, equitable rule development. If you have any questions, please feel free to call me at (812) 853-1141 or email me at Scott.Darling@alcoa.com.

When an agenda for the Tuesday Oct. 31st meeting is available, please email it to the interested parties so our need for attendance can be determined.

Scott

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